STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON

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In the Matter of	)	No. D 99-109
	)	
REGENCE BLUESHIELD, a Washington)	)	CONSENT ORDER LEVYING A FINE
Health care service contractor	)	

I.   FINDINGS OF FACT

1.   Regence is an authorized health care service contractor doing business in the State of Washington.

2.   In April 1999 Regence submitted to the Office of the Insurance Commissioner ("OIC") a rate filing for its Individual Health Care Coverage Contract seeking an overall 28.1% rate increase. The filing was disapproved by OIC because of its failures to comply with WAC 284-43-930.

3.   Regence thereafter submitted a second, third and fourth filing in support of the proposed rate increase, and those filings were also disapproved by OIC. The successive rate filings provided information that was in some cases inconsistent internally and with prior filings. These inconsistencies were not adequately explained, documented or justified, thereby impeding the OIC's ability to review the reasonableness of the proposed rates.

4.   On October 14, 1999, the OIC approved an overall rate increase applicable to

Regence's individual contracts of 25.8%. The terms of that approval were previously memorialized by the parties; implementation has occurred consistent with the OIC approval.

II.   CONCLUSIONS OF LAW:

1.   Regence's failure to provide complete and consistent actuarial data in the first three rate filings violated WAC 284-43-930.

2.   Regence's failure to provide documentation and justification of adjustments to data in and among the first three rate filings, which was necessary to permit the OIC to verify the accuracy of the data, violated WAC 284-43-930.

3.   Regence's failure to provide documentation and justification of adjustments to data in the fourth filing, which was necessary to permit the OIC to verify the accuracy of the data, violated WAC 284-43-930.

III.   CONSENT TO ORDER:

The parties hereto wish to resolve the issues raised by the 1999 Regence Individual Contract Rate filings, as set forth in the Notice of Hearing No. G99-109, without further administrative or judicial proceedings. Regence hereby consents to entry of this Consent Order and aacknowledges to the foregoing Findings of Fact and Conclusions of Law. Regence acknowledges its duty to comply fully with the applicable laws of the State of Washington.

The OIC has offered a settlement in lieu of imposing any other applicable penalty. By agreement of the parties, the OIC will impose a fine of $5,000, and will suspend that fine, on condition that:

1.   In all future standard individual rate filings (except the initial "re-entry" filing following enactment of E2SSB6067), Regence will use its best efforts to submit those filings to OIC at least 90 days prior to their proposed effective date, but in no event will Regence submit those filings to OIC less than 60 days prior to the proposed effective date. This stipulation will expire on January 1, 2002, or upon adoption of new regulations by the OIC defining advance filing requirements, whichever comes first.

2.   At OIC's request, Regence will identify, explain, document and justify any contradictions, inconsistencies, or discrepancies in the data within a rate filing and between successive rate filings within 15 business days from its receipt of OIC's request.

3.   Regence commit no further violations of WAC 284-43-930 for a period of 18 months from the date of execution of this Agreement.

4.   Regence's future individual rate filings comply with E2SSB6067 and all other applicable provisions of Washington law.

5.   Regence will reconcile all data in its individual market rate-making database for calendar year 1999, including monthly earned premiums, paid claims by incurred/paid month, monthly enrollments, and administrative expenses, to its audited financial statements including annual statement exhibits and other audited data. The reconciliation will present clearly all data adjustments necessitated by past merger activity. Regence will submit this reconciliation to the OIC for review by July 30, 2000, or with its next individual rate modification filing, whichever occurs first.

6.   In its next individual market rate filing, Regence will use rate-making data that has been reconciled to its audited financial statements including annual statement exhibits and other audited data, including the reconciliation of data for 1999 set forth in number 5 above. The reconciliation of the data will be submitted as an attachment to the filing. Data and calculations submitted in each filing will be correct, will be consistent with actuarial standards of practice and will comply with the requirements of the law.

Any failure to fulfill all the stated conditions within the allotted time shall constitute grounds for revocation of Regence's certificate of registration and for recovery of the suspended fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

The OIC will not impose the suspended fine or proceed against Regence's certificate should Regence commit isolated, de minimis violations, as determined by OIC, as long as Regence rectifies such violations promptly once they are discovered.

IV. ORDER

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes on Regence a fine of five thousand dollars, suspended. Failure to fulfill any of the conditions stated herein within the allotted time shall constitute grounds for recovery of the suspended fine, and for suspension or revocation of Regence's certificate of registration in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT _____, WASHINGTON, this ____ day of _____, 2000.

DEBORAH SENN   REGENCE BLUESHIELD
Insurance Commissioner

By_____   By_____
   Robert Harkins   Margaret Stanley
   Deputy Commissioner